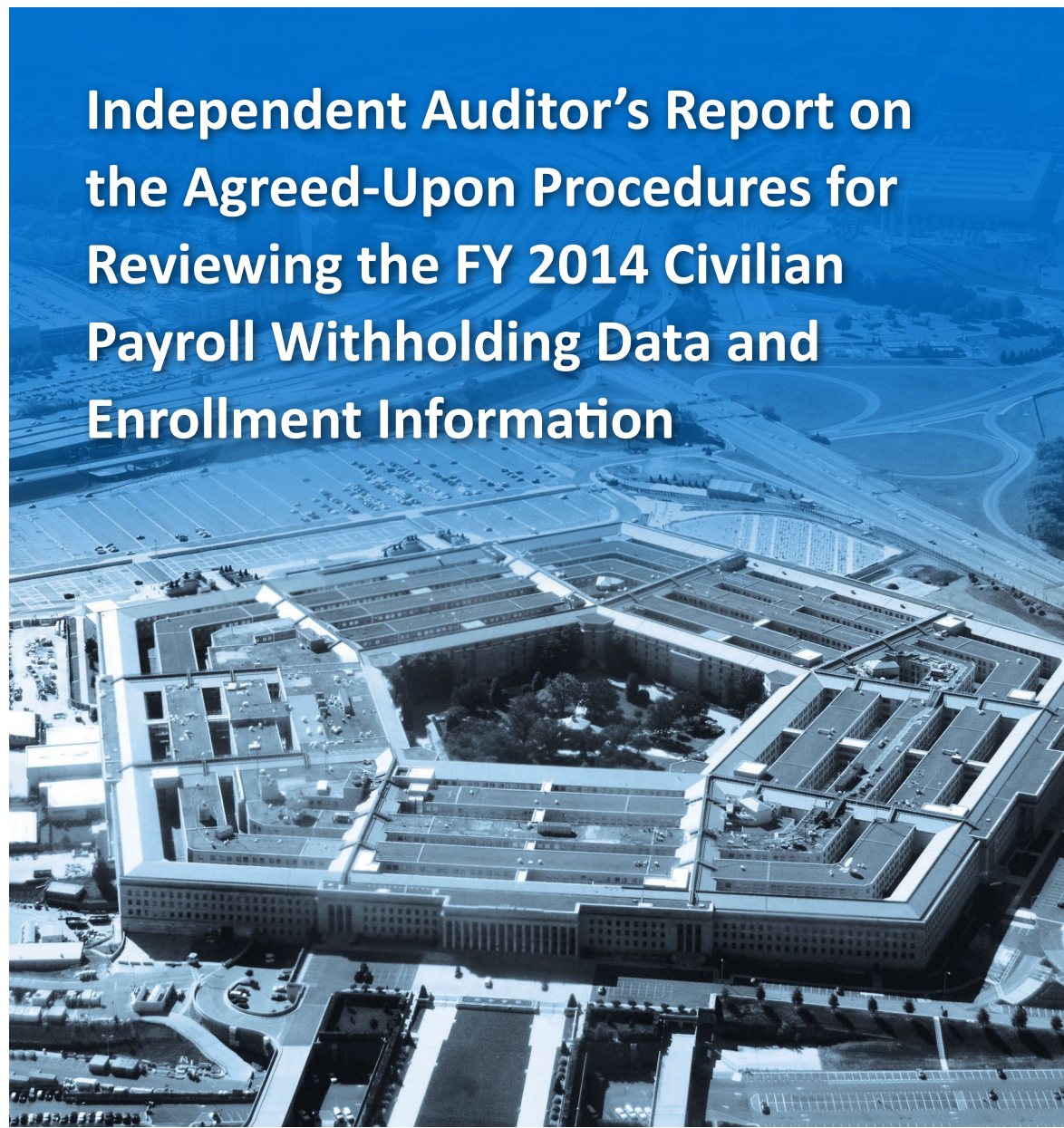




# INSPECTOR GENERAL

*U.S. Department of Defense*

SEPTEMBER 26, 2014



## **Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the FY 2014 Civilian Payroll Withholding Data and Enrollment Information**

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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*Our vision is to be a model oversight organization in the Federal Government by leading change, speaking truth, and promoting excellence—a diverse organization, working together as one professional team, recognized as leaders in our field.*



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**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

September 26, 2014

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF  
FINANCIAL OFFICER, DOD  
UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS  
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT  
AND COMPTROLLER)  
CHIEF, NATIONAL GUARD BUREAU  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
DIRECTOR, DEFENSE LOGISTICS AGENCY  
NAVAL INSPECTOR GENERAL  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY  
INSPECTOR GENERAL, DEPARTMENT OF ENERGY  
INSPECTOR GENERAL, DEPARTMENT OF HEALTH AND HUMAN SERVICES  
INSPECTOR GENERAL, DEPARTMENT OF VETERANS AFFAIRS  
INSPECTOR GENERAL, ENVIRONMENTAL PROTECTION AGENCY  
INSPECTOR GENERAL, OFFICE OF PERSONNEL MANAGEMENT

SUBJECT: Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing  
the FY 2014 Civilian Payroll Withholding Data and Enrollment Information  
(Report No. DODIG-2014-122)

We are providing this final report for your information and use.

We appreciate the courtesies extended to the staff. Please direct questions to me at  
(703) 601-5945.

A handwritten signature in cursive script that reads "Lorin T. Venable".

Lorin T. Venable, CPA  
Assistant Inspector General  
Financial Management and Reporting







**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

September 26, 2014

The Honorable Patrick E. McFarland  
Inspector General  
U.S. Office of Personnel Management  
Theodore Roosevelt Federal Building  
1900 E Street NW, Room 6400  
Washington, D.C. 20415-0001

Subject: Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing  
the FY 2014 Civilian Payroll Withholding Data and Enrollment Information  
(Project No. D2014-D000FP-0109.000)

Dear Mr. McFarland:

We performed the procedures described in the Enclosure, which were agreed to by the Chief Financial Officer and the Inspector General of the U.S. Office of Personnel Management (OPM). We performed these procedures solely to assist in assessing the reasonableness of the employee withholdings and employer contributions that the Defense Finance and Accounting Service (DFAS) reported on Standard Form 2812, "Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement," for the pay periods ending August 24, 2013; September 7, 2013; December 14, 2013; February 22, 2014; and March 8, 2014. We also performed these procedures to assist in assessing the reasonableness of the amounts reported in the "Supplemental Semiannual Headcount Report," as of September 2013, and March 2014. The reports submitted by DFAS included information for the following entities listed in Appendix A of the Office of Management and Budget, Bulletin No. 14-02, "Audit Requirements for Federal Financial Statements": the Department of Defense (DoD), Department of Energy (DoE), Department of Health and Human Services (HHS), Department of Veterans Affairs (VA), and Environmental Protection Agency (EPA). In addition, we performed procedures to assist OPM in identifying and correcting errors relating to the processing and distribution of Combined Federal Campaign (CFC) payroll deductions.

Using ACL software, we randomly selected a sample of 400 employees from the December 14, 2013, pay period from the 11 DFAS payroll data files (Army, Navy, Air Force, Other Defense Organizations [ODO], Overseas Army/DoD, Overseas DoD, Shipyard DoD, DoE, HHS, VA, and EPA). We compared the sample of 400 employees' pay and withholdings and agency contributions in the Defense Civilian Pay System to the documentary support in the Official Personnel Files (OPFs). Of the 400 OPFs, 200 represented DoD employees, 50 represented DoE employees, 50 represented HHS employees, 50 represented VA employees, and 50 represented EPA employees.

Auditors from the DoE and HHS Offices of Inspector General performed the agreed-upon procedures (AUP) that involved reviewing their agency OPFs. We reviewed their working papers and determined that we could rely on their work.

We performed the agreed-upon procedures in accordance with generally accepted government auditing standards, which incorporate financial audit and attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the OPM Chief Financial Officer and the OPM Inspector General. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to express an opinion on whether the health benefits, life insurance, and retirement contributions and withholdings, or the enrollment information submitted by DFAS to OPM were reasonable and accurate. Accordingly, we did not conduct an examination, nor did we express such an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you. We provided a discussion draft of this report to the entities listed in the transmittal memorandum.

This report is intended solely for the information and use of the OPM Chief Financial Officer and OPM Inspector General and is not intended to be used by those who have not agreed to the procedures or have not taken responsibility for the sufficiency of the procedures for their purposes. However, the report is a matter of public record, and its distribution is not limited; thus, we will post the report on our website and provide copies upon request.

Sincerely,

A handwritten signature in cursive script that reads "Lorin T. Venable".

Lorin T. Venable, CPA  
Assistant Inspector General  
Financial Management and Reporting

Enclosure:  
As stated

# Enclosure: Agreed-Upon Procedures Performed and Results

This section contains the OPM Agreed-Upon Procedures and the results of completing those procedures.

## Overall Procedure

For employee benefit withholding and contributions, obtain the Agency Payroll Provider's (APP) September 2013 and March 2014 Semiannual Headcount Report submitted to OPM and a summary of Retirement and Insurance Transfer System (RITS) submissions for September 2013 and the current fiscal year. For each program (retirement, health, and life), select a total of three RITS submissions for September 2013 and the current FY 2014; two will coincide with the September 2013 and March 2014 Semiannual Headcount Reports<sup>1</sup>. Obtain payroll information for the periods covered by the RITS submissions selected.

For the CFC payroll deductions, obtain the following documentation for the Federal agencies serviced by the APP:

- a. A list of all field offices/duty stations in existence during the fall 2013 CFC solicitation period (September 1, 2013 through January 15, 2014) for each Federal agency serviced. The list must include the OPM Office Duty Station Code or the county, city, state and zip code for the field office.
- b. A list of all local CFC campaigns and the areas they cover. This list should be obtained directly from the OPM CFC by sending an e-mail request to [cfc@opm.gov](mailto:cfc@opm.gov). The subject line of the e-mail should be "Payroll Office AUPs-2013 CFC Campaign Location List Request."
- c. A list of accounting codes used by the APP to identify each local CFC campaign. The list should include the accounting code, name of campaign, name of Principal Combined Fund Organization (PCFO) for that campaign, and address of PCFO.
- d. A report of all employees with CFC deductions from the RITS submission selected to coincide with the March 2014 Semiannual Headcount. The report must include each employee's official duty station location and the APP's accounting code identifying the campaign to which each employee's funds are being distributed.

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<sup>1</sup> The September 2013 Semiannual Headcount Report consisted of the following two payroll periods: August 24, 2013 and September 7, 2013. The March 2014 Semiannual Headcount Report consisted of the following two payroll periods: February 22, 2014 and March 8, 2014. Therefore, to comply with the procedures, we needed to obtain the payroll information for two payroll periods, instead of just one payroll period, for each Semiannual Headcount Report. In addition, we selected the December 14, 2013, payroll period for the third RITS submission. As a result, we reviewed a total of five payroll periods, instead of the three suggested for this agreed-upon procedure.



*Note: Hereinafter, the term payroll information refers to all payroll information, whether it is a payroll register, payroll data files, or other payroll support data.*

## **Procedure 1.**

Compare RITS submission data to the payroll information by performing the following procedures (Note: For cross-servicing agencies, if the internal controls are the same for all agencies serviced, it is only necessary to perform this procedure for one agency.):

### ***Procedure 1.a.***

Recalculate the mathematical accuracy of the payroll information.

### ***Procedure 1.b.***

Recalculate the mathematical accuracy of each RITS submission for the payroll information selected in step 1.a.

### ***Procedure 1.c.***

Compare the employee withholding information at the aggregate level for Retirement, Health Benefits, and Life Insurance (as adjusted for reconciling items) shown on the payroll information obtained in step 1.a. to the related amounts shown on the RITS submission for the corresponding period.

Report any differences for each of the Retirement, Health Benefits, and Life Insurance (categories) for step 1.c. that are over 1 percent of the aggregate amount reported for each of the three categories. Obtain a management official name, an explanation, telephone number, and an e-mail address for the differences above the 1-percent threshold.

## ***Results***

We identified 1 difference greater than 1 percent for the Civil Service Retirement System (CSRS) comparison. The Navy had a 3.02-percent difference in CSRS. DFAS management stated that this difference occurred because there were employees who separated during the pay period under review and received a lump-sum annual-leave payment, which is not subject to retirement withholding. In addition, some employees worked overtime; overtime earnings are also not subject to retirement. Lastly, some employees reached their maximum contributions for old-age, survivor, and disability insurance for the year in the pay period under review, which changed their retirement computation.

## Procedure 2.

Perform detail testing of a random sample of transactions as follows:

### **Procedure 2.a.**

Randomly select a total of 25 individuals who were in the payroll system for all three of the RITS submissions selected above that meet all the following criteria. In addition, 1) randomly select five individuals who are under the Federal Employees [Retirement System]–Revised Annuity Employees system (FERS-RAE) to test that their FERS-RAE contribution rate was calculated correctly and 2) randomly select five individuals who are under the [Federal Employees Retirement System]–Further Revised Annuity Employees system (FERS-FRAE) to test that their FERS-FRAE contribution rate was calculated correctly:\*

- covered by [CSRS] or the Federal Employees Retirement System (FERS);
- enrolled in the Federal Employees Health Benefit Program (FEHB);
- covered by Basic Life Insurance; and
- covered by at least one Federal Employees’ Group Life Insurance (FEGLI) optional coverage (Option A, B, or C).

*\*Note: Employees covered by FERS include Federal employees covered by FERS-RAE – effective date January 1, 2013. For more information and the FERS-RAE contribution rates, see BAL 12-104 available on the OPM Web site at <http://www.opm.gov/retire/pubs/bals/2012/12-104.pdf>.*

*In addition, employees covered by FERS include Federal employees covered by FERS-FRAE – effective date January 1, 2014. For more information and the FERS-FRAE contribution rates, see BAL 14-102 available on the OPM Web site at <http://www.opm.gov/retirement-services/publications-forms/benefits-administration-letters/>*

*If a payroll provider has not implemented FERS-FRAE rates, there is no need to test for FRAE withholding. Then, the payroll provider must document that fact in its AUPs report as well as the “management’s response” including a listing of what other agencies are affected.*

### **Procedure 2.b.**

Obtain the following documents, either in electronic or hard copy format, from the Official Personnel File (OPF) for each individual selected in step 2.a. Hard copies can be originals or certified copies.

- all Notifications of Personnel Actions (SF-50) covering the pay periods in the RITS submissions chosen;

- the Health Benefits Election Form (SF-2809) covering the pay periods in the RITS submissions chosen or, if applicable, obtain a report (via the agency personnel office) from the agency's automated system that allows participants to change benefits, (e.g., Employee Express), for any Health Benefits transactions in that system for the individuals selected in step 2.a. (note: a new SF-2809 is needed only if an employee is changing health benefit plans; therefore, the form could be many years old);
  - for Health Benefits, compare date of transaction with date on the certified copy of the SF-2809 or the agency's automated system report obtained above to identify whether the health benefit information to be used in the step 2.f. covers the pay periods in the RITS submissions chosen; and
- the Life Insurance Election Form (SF-2817) covering the pay periods in the RITS submission chosen (note: a new SF-2817 is needed only if an employee is changing life insurance coverage; therefore the form could be many years old).

## Results

Of the 240 Official Personnel Files reviewed, a total of 45 documents were incomplete, missing, or processed late. We found 1 document from the Army, 6 documents from the Navy, 2 documents from the Air Force, 3 documents from the Air National Guard, 6 documents from the ODOs, 10 documents from EPA, and 8 documents from VA. DoE auditors identified 4 documents, and HHS auditors identified 5 documents. See Table 1 for the number and type of documents that were incomplete, missing, or processed late, listed by organization.

*Table 1. Number and Type of Documents that were Incomplete, Missing, or Processed Late by Organization*

Organization	SF-50		SF-2809	SF-2817		Total
	Missing	Processed Late	Missing	Incomplete	Missing	
Army				1		1
Navy		5			1	6
Air Force		2				2
Army National Guard						0
Air National Guard	1		2			3
ODO	1		2		3	6
EPA	2		2	1	5	10
VA			3	2	3	8
DoE			2		2	4
HHS			1		4	5
<b>Total</b>	<b>4</b>	<b>7</b>	<b>12</b>	<b>4</b>	<b>18</b>	<b>45</b>

### ***Procedure 2.c.***

For each individual selected in step 2.a., compare the base salary used for payroll purposes and upon which withholdings and contributions generally are based to the base salary reflected on the employee's SF-50. Report any differences resulting from this step and obtain management's explanation for the differences.

#### ***Results***

We identified 10 differences: 5 differences for Navy, 2 differences for Air Force, 1 difference for ODOs, and 2 differences for EPA. These differences occurred because the applicable SF-50s were processed late or were missing.

### ***Procedure 2.d.***

For Retirement for each individual selected in step 2.a., compare the retirement plan code from the employee's SF-50 to the plan code used in the payroll system. Report any differences resulting from this step and obtain management's explanation for the differences.

#### ***Results***

We identified 4 differences: 1 difference for Air National Guard, 1 difference for ODO, and 2 differences for EPA. These differences occurred because the applicable SF-50s were missing.

### ***Procedure 2.e.***

For each individual selected in step 2.a., calculate the retirement amount to be withheld and contributed for the plan code from the employee's SF-50, by multiplying the base salary from the employee's SF-50 by the official withholding and contribution rates required by law. Compare the calculated amounts to the actual amounts withheld and contributed for the retirement plan. Report any differences resulting from this step and obtain management's explanation for the differences.

#### ***Results***

A total of 12 differences were identified. We found 5 differences for Navy, 2 differences for Air Force, 1 difference for Air National Guard, 1 difference for ODOs, and 2 differences for EPA. HHS auditors identified 1 difference. These differences occurred because the SF-50s were missing or processed late. The HHS difference occurred because of a retroactive adjustment to an employee retirement account.

## ***Procedure 2.f.***

For Health Benefits for each individual selected in step 2.a., compare the employee withholdings and agency contributions to the official subscription rates issued by OPM for the plan and option elected by the employee, as documented by an SF-2809 in the employee's OPF or automated system that allows the participant to change benefits (e.g., Employee Express). Report any differences resulting from this step and obtain management's explanation for the differences. The health benefits rates can be found on OPM's website at <http://www.opm.gov/insure/health/rates/index.asp>.

### ***Results***

A total of 12 differences were identified. We found 2 differences for Air National Guard, 2 differences for ODOs, 2 differences for EPA, and 3 differences for VA. DoE auditors identified 2 differences, and HHS auditors found 1 difference. The differences occurred because the applicable SF-2809s were missing.

## ***Procedure 2.g.***

For Life Insurance for each individual selected in step 2.a., confirm that Basic Life Insurance was elected by the employee by inspecting the SF-2817 documented in the employee's OPF. Report any differences resulting from this step and obtain management's explanation for the differences.

### ***Results***

A total of 16 differences were identified. We found 1 difference for Navy, 3 differences for ODOs, 4 differences for EPA, and 2 differences for VA. DoE auditors found 2 differences, and HHS auditors found 4 differences. These differences occurred because the SF-2817s were incomplete or missing. In addition, in one instance, the SF-50<sup>2</sup> was missing, resulting in an inaccurate basic life insurance withholding and calculation.

## ***Procedure 2.h.***

For each individual selected in step 2.a., calculate the withholding and contribution amounts for Basic Life Insurance using the following:

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<sup>2</sup> The SF-50 contains the employees' base salary which is used to calculate withholdings and contributions for FEGLI. When an SF-50 with base salary adjustments is either missing or processed late, there will be differences in the FEGLI withholdings and contributions for the pay period.



- For employee withholdings: Round the employee's annual base salary up to the nearest thousand dollars and add \$2,000. Divide this total by 1,000 and multiply by the rate required by law. The life insurance rates are on OPM's website at <http://www.opm.gov/insure/life/rates/index.asp>.
- For agency contributions: Divide the employee withholdings calculated above by two.

Compare the calculated employee withholdings and agency contributions to the actual amounts withheld and contributed for Basic Life Insurance. Report any differences resulting from this step and obtain management's explanation for the differences.

### *Results*

A total of 20 differences were identified. We found 2 differences for Navy, 2 differences for Air Force, 3 differences for ODOs, 5 differences for EPA, and 2 differences for VA. DoE auditors identified 2 differences, and HHS auditors found 4 differences. These differences occurred because the SF-2817s were incomplete or were missing. In addition, in some instances, the SF-50s were missing or processed late resulting in an inaccurate basic life insurance withholding and calculation.

### ***Procedure 2.i.***

Also, for Life Insurance for each individual selected in step 2.a., compare optional coverage elected as documented on the SF-2817 in the employee's OPF to the optional coverage documented in the payroll system. Report any differences resulting from this step and obtain management's explanation for the differences.

### *Results*

A total of 19 differences were identified. We found 2 differences for Navy, 4 differences for ODOs, 7 differences for EPA, and 4 differences for VA. DoE auditors identified 2 differences. The differences occurred because the applicable SF-2817s were incomplete or missing. In addition, some SF-50s were missing or were processed late, resulting in an inaccurate withholding and calculation for basic life insurance.

### ***Procedure 2.j.***

For each individual selected in step 2.a., calculate the withholding amounts for optional life insurance using the following:

- For Option A: Locate the employee's age group using the age groups provided for Option A in the FEGLI Program Booklet. The withholding amount to be used is the

rate listed in the FEGLI Program Booklet for that age group. Compare the calculated amount to the amount withheld for Option A Life Insurance. Report any differences resulting from this step and obtain management's explanation for the differences.

- For Option B: Inspect the SF-2817 to obtain the number of multiples chosen for Option B. Locate the employee's age group using the age groups provided for Option B in the FEGLI Program Booklet. Round the employee's annual rate of basic pay up to the next 1,000, divide by 1,000, and multiply by the rate for the respective age group. Multiply this amount by the number of multiples chosen for Option B Life Insurance. Compare the calculated amount to the amount withheld for Option B Life Insurance. Report any differences resulting from this step and obtain management's explanation for the differences.
- For Option C: Inspect the SF-2817 to obtain the number of multiples chosen for Option C. Locate the employee's age group using the age groups provided for Option C in the FEGLI Program Booklet. Multiply the rate for the age group by the number of multiples chosen for Option C Life Insurance. Compare the calculated amount to the amount withheld for Option C Life Insurance. Report any differences resulting from this step and obtain management's explanation for the differences.

## *Results*

A total of 22 differences were identified. We found 3 differences for Navy, 2 differences for Air Force, 4 differences for ODOs, 7 differences for EPA, and 4 differences for VA. DoE auditors identified 2 differences. The differences occurred because the applicable SF-2817s were incomplete or missing. In addition, in some instances, the SF-50s were missing or processed late resulting in an inaccurate basic life insurance withholding and calculation.

## **Procedure 3.**

Randomly select a total of 10 employees who have no Health Benefits withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.

### ***Procedure 3.a.***

Obtain SF-2809s covering the pay periods in the RITS submissions chosen, either in electronic or hard copy format, from the selected employee's OPF or, if applicable, obtain a report (via the agency personnel office ) from the agency's automated system that allows participants to change benefits, (e.g., Employee Express), for any Health Benefit transactions in that system for the individuals selected. Hard copies can be originals or certified copies. Inspect the documentation

(that is, SF-2809 or the agency's system-generated report) to identify whether health benefits coverage was not elected. This can be identified in the following ways:

- absence of an SF-2809 in the OPF and no election of coverage made through the agency's automated system that allows participants to change benefits (e.g., Employee Express); or
- an SF-2809 in the OPF with Section E checked (indicating cancellation of coverage) and no later election of coverage through the agency's automated system that allows participants to change benefits (e.g., Employee Express); or
- cancellation of coverage through the agency's automated system that allows participants to change benefits (e.g., Employee Express) and no later election of coverage with an SF-2809.

### ***Procedure 3.b.***

Compare the result in step 3.a. to the RITS submissions. Report any differences resulting from this step and obtain management's explanation for the differences.

### ***Results***

We did not identify any differences for this comparison.

## **Procedure 4.**

Randomly select a total of 10 employees who have no Life Insurance withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.

### ***Procedure 4.a.***

Obtain the SF-2817s covering the pay periods in the RITS submissions chosen, either in electronic or hardcopy format, from the selected employee's OPF. Hard copies can be originals or certified copies. Inspect the SF-2817 to identify that the employee waived or cancelled Basic Life Insurance coverage.

### ***Procedure 4.b.***

Compare the result in step 4.a. to the RITS submissions. Report any differences resulting from this step and obtain management's explanation for the differences.

## *Results*

A total of 4 differences were identified. We found 1 difference for Army and 1 difference for Air Force. DoE auditors found 1 difference, and HHS auditors found 1 difference. The differences occurred because the applicable SF-2817s were incomplete or missing.

## **Procedure 5.**

Calculate the headcount reflected on the September 2013 and March 2014 Semiannual Headcount Report selected, as follows.

### ***Procedure 5.a.***

Obtain existing payroll information (from step 1.a.) supporting each Supplemental Semiannual Headcount report. If existing payroll data are not available, obtain a payroll system query that summarizes detailed payroll data supporting each Supplemental Semiannual Headcount Report, as follows:

- Benefit Category (see Semiannual Headcount Report).
- Dollar Amount of withholdings and contributions.
- Number Enrolled (deductions made/no deductions).
- Central Personnel Data File Code.
- Aggregate Base Salary.

### ***Procedure 5.b.***

Recalculate the Headcount reflected on each Semiannual Headcount Report. If an electronic file is not available, a suggested method of recalculating the Headcount is as follows: (1) estimate the number of employees per payroll register page by counting the employees listed on several pages, (2) count the number of pages in the payroll register, and (3) multiply the number of employees per page by the number of pages, or count (using a computer audit routine) the number of employees on the payroll data file for the period.

### ***Procedure 5.c.***

Compare the payroll information obtained in step 5.a. and the calculated headcount from step 5.b. to the information shown on each respective Semiannual Headcount Report.

### ***Procedure 5.d.***

Report any differences (e.g., gross rather than net) greater than 2 percent between the headcount reporting on each respective agency Semiannual Headcount Report and payroll information from step 5.a. and the calculated Headcount from step 5.b. Obtain a management official name, telephone number, an e-mail address, and an explanation for the differences.

### ***Results***

We identified 8 differences greater than 2 percent when we compared the Semiannual Headcount Reports to headcounts in the Defense Civilian Pay System (DCPS) data. We found 2 differences between employee headcount listed in the September Semiannual Headcount Report and headcount listed in the DCPS data. There was 1 headcount difference of 5.16 percent in the DoD Overseas Operations Payroll Office and 1 difference of 10.85 percent in the Army Overseas Operation Payroll Office. DFAS personnel stated that these differences occurred because employee separation information was incomplete; a retroactive transaction was not processed because of an invalid condition; an employee was reactivated in DCPS to receive a retroactive amount; and human resource personnel did not properly process employees' separations.

We found the remaining 6 differences when we compared the total base pay in the September and March Semiannual Headcount Reports with that shown in the DCPS data. We identified 2 differences, of 2.21 percent and 2.20 percent, in the Army Overseas Operation Payroll Office; 2 differences of 2.78 percent and 3.02 percent, in the DoD Overseas Operations Payroll Office; and 2 differences, of 2.60 percent and 2.54 percent, in the VA Payroll Office. DFAS management did not explain the differences.

### ***Procedure 6.***

Calculate employer and employee contributions for Retirement, Health Benefits, and Life Insurance as follows:

#### ***Procedure 6.a.***

Calculate Retirement withholdings and contributions for the three pay periods selected in step 1.a., as follows:

##### ***Procedure 6.a.i.***

Multiply the CSRS and FERS payroll base by the withholding and employer contribution rates required by law.



### ***Procedure 6.a.ii.***

Compare the calculated totals from step 6.a.i. to the related amounts shown on the RITS submissions. Report any differences (e.g., gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions that are greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

### ***Results***

We identified 3 differences greater than 5 percent for the CSRS comparison. The Overseas DoD Payroll Office had a 6.24-percent employee-withholding difference and a 26.64-percent agency-contribution difference for the pay period ending December 14, 2013. The EPA Payroll Office had a 7.7-percent agency-contribution difference for the pay period ending February 22, 2014. DFAS personnel stated that these differences occurred because the affected employees had a change in their retirement code.

For the FERS and FERS-RAE<sup>3</sup> comparisons, we did not find any differences for employee withholdings or agency contributions greater than 5 percent.

### ***Procedure 6.b.***

Calculate employee withholdings and employer contributions for Health Benefits for the three pay periods selected in step 1.a., as follows:

### ***Procedure 6.b.i.***

Multiply the number of employees enrolled in each Health Benefits plan and plan option by the employee withholdings and employer contributions for the plan and option.

### ***Procedure 6.b.ii.***

Sum the totals in step 6.b.i. and compare the result with the Health Benefit withholding and contribution amounts shown on the RITS submissions. Report any differences (e.g., gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions that are greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

### ***Results***

We did not find any differences for employee withholdings or agency contributions greater than 5 percent for this comparison.

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<sup>3</sup> Employees covered by FERS include employees covered by FERS-RAE which became effective January 1, 2013. We performed separate procedures to review Federal Employees covered by FERS-RAE.

### ***Procedure 6.c.***

Calculate the Basic Life Insurance employee withholdings and employer contributions for the three pay periods selected in step 1.a., as follows:

#### ***Procedure 6.c.i.***

Obtain a payroll system query from APP personnel to obtain the total number of employees with Basic Life Insurance coverage and the aggregate annual basic pay for all employees with Basic Life Insurance.

#### ***Review of Furloughed Employees***

Based on our preliminary review of the basic life insurance employee withholdings (Procedures 6.c.ii & 6.c.iii), basic life insurance employer/agency contributions (Procedure 6.c.iv), and Option B life insurance coverage employee withholdings (Procedures 6.d.iii, and 6.d.iv), we provided DFAS a list of differences noted for pay period ending August 24, 2013. DFAS determined that our exceptions resulted from DoD employees being furloughed during that pay period. We determined that we should be using 72 hours (rather than 80 hours) to annualize the salaries for these furloughed employees. We consulted with OPM personnel, who agreed but asked that we include in the report the differences calculated using the original 80 hours, and our revised differences, calculated using 72 hours.

#### ***Procedure 6.c.ii.***

For employee withholdings: Add the product of 2,500 times the number of employees with Basic Life Insurance coverage from step 6.c.i. above to the aggregate annual basic pay for all employees with Basic Life Insurance from step 6.c.i. above to calculate the estimated total Basic Life Insurance coverage. Divide this calculated total by 1,000 and multiply it by the withholding rate required by law. The Life Insurance withholding rates are found in the FEGLI Program Booklet on OPM's website.

#### ***Procedure 6.c.iii.***

Compare the result in step 6.c.ii. to the withholdings for Basic Life Insurance coverage reported on the RITS submission. Report any difference (i.e., gross rather than net) between the estimate and the amount of withholdings reported on the RITS submission greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the difference.

#### ***Results***

We initially identified two differences for employee withholdings. The Army Payroll Office had an 8.85-percent difference, and the Overseas Army Payroll Office had a 9.79-percent

difference for the pay period ending August 24, 2013. However, after working with DFAS representatives and adjusting our recalculation formulas to account for DoD furloughed employees, we did not identify any differences greater than 5 percent for this comparison.

### ***Procedure 6.c.iv.***

For agency contributions: Divide the results of step 6.c.ii. by 2; this approximates agency contributions, which are one-half of employee withholdings. Compare this result to the amount reported on the RITS submission. Report any differences (i.e., gross rather than net) between the estimated amount and the actual amount reported on the RITS submission that are greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

### ***Results***

We initially identified 2 differences for employer/agency contributions. The Army Payroll Office had an 8.87-percent difference, and the Overseas Army Payroll Office had a 9.85 percent difference for the pay period ending August 24, 2013. However, after working with DFAS representatives and adjusting our recalculation formulas to account for DoD furloughed employees, we did not identify any differences greater than 5 percent for this comparison.

### ***Procedure 6.d.***

Calculate the Option A, Option B and Option C Life Insurance coverage withholdings for the three pay periods selected by using detail payroll reports used to reconcile the RITS reports in Step 1. In addition to the information used for step 1, the reports should include the employee's date of birth, annual rate of basic pay, and number of multiples selected for Option B and C. Note: While similar to step 2.j., the calculation at this step is for the entire amount reported on the RITS submissions for the three pay periods selected, as opposed to the sample of 25 employees in step 2.j.

### ***Procedure 6.d.i.***

Multiply the number of employees in each age group by the appropriate rate for Option A in accordance with the rates for age groups provided in the FEGLI Program Booklet.

### ***Procedure 6.d.ii.***

Compare the result in step 6.d.i. to the amounts for Option A reported on the RITS submissions. Report any differences (i.e., gross rather than net) greater than 2 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

## Results

We did not identify any differences greater than 2 percent for this comparison.

### **Procedure 6.d.iii.**

Segregate the reports for Option B and Option C insurance into the age groups shown in the FEGLI Program Booklet. For Option B, round the employee's annual rate of basic pay up to the next 1,000, then divide it by 1,000, and then multiply this amount by the rate for the age group by then multiplying this by the number of multiples:

$(\text{Annual rate of basic pay (rounded up)} / 1,000 * \text{rate} * \text{multiples})$ .

For Option C, multiply the rate for the age group by the number of multiples chosen for each employee.

### **Procedure 6.d.iv.**

Compare the result in step 6.d.iii. to the amounts for Option B and Option C, respectively, reported on the RITS submissions. Report any differences (i.e., gross rather than net) greater than two percent of the amounts on the RITS submission for Option B or Option C, and obtain management's explanation for the differences.

## Results

We initially identified 2 differences for Option B employee withholdings. The Army Payroll Office had a 7.97-percent difference, and the Overseas Army Payroll Office had a 9.06-percent difference for the pay period ending August 24, 2013. However, after working with DFAS and adjusting our recalculation formulas to account for DoD furloughed employees, we did not identify any differences greater than 2 percent for this comparison.

We identified 3 differences for Option C employee withholdings. The DoD Indianapolis Payroll Office had a 2.70-percent difference, the EPA Payroll Office had an 8.51-percent difference, and the HHS Payroll Office had a 6.17-percent difference for the pay period ending December 13, 2013. According to DFAS personnel, the differences were due to retroactive adjustments for termination of coverage, retroactive adjustments for separation of employees, and adjustments for the collection of debt.

## Procedure 7.

Compare the list of field offices/duty stations to the list of local CFC campaigns obtained from OPM's OCFCO [Office of Combined Federal Campaign Operations].

### ***Procedure 7.a.***

Determine in which campaign each field office/duty station is located. (Note: It is possible for a field office/duty station to be in a location with no local CFC campaign.)

### ***Results***

We determined the campaign for each field office/duty station location.

## **Procedure 8.**

Compare the list of accounting codes to the identified campaigns for each field office/duty station.

### ***Procedure 8.a.***

Determine the accounting code for each field office/duty station.

### ***Procedure 8.b.***

Determine if the name of the campaign, the PCFO, and address of the PCFO in the APP system agree to the information for that field office/duty station on the list of local CFC campaigns obtained from OPM's OCFCO.

Report as findings the following:

- a. All instances in which the name of the campaign, PCFO, or address of the PCFO on the list of accounting codes from the Federal Payroll Office does not agree with the information on the list of all local CFC campaigns obtained from OPM's CFC. A chart detailing the differences should be included. Obtain management's explanation for the differences and a corrective action plan.

### ***Results***

We found 11 differences when we compared the name of the campaign, the PCFO, and the PCFO address with the DCPS CFC information and the OPM CFC information: 2 differences caused by nonexistent campaign numbers (which OPM management stated no longer exist because the campaigns merged with other CFC campaigns); 3 differences resulting from different campaign names; 3 differences caused by different PCFO names; and 3 differences caused by different PCFO addresses. DFAS management did not explain why these remaining 9 differences occurred but stated they corrected them. See Tables 2, 3, and 4 for the details of the 9 differences by category.



*Table 2. Campaign Name Differences*

Campaign Number	Campaign Name per OPM	Campaign Name per DCPS
0606	Desert Southwest CFC	DESERT VALLEY CFC
0500	Greater Mississippi CFC	SOUTHERN MISSISSIPPI CFC
0975	Puerto Rico & U.S. Virgin Island CFC	PUERTO RICO CFC

*Table 3. Principal Combined Fund Organization Name Differences*

Campaign Number	PCFO Name per OPM	PCFO Name per DCPS
0140	c/o Federal Employees Support for CFC Charitable Giving, Inc.	CHARITABLE GIVING INC
0651	c/o Community Health Charities of North Carolina	C/O COMMUNITY HEALTH CHARIT
0923	c/o Community Health Charities of Washington State	C/O COMMUNITY HEALTH CHARIT

*Table 4. Principal Combined Fund Organization Address Differences*

Campaign Number	PCFO Address per OPM	PCFO Address per DCPS
0923	19115 68 <sup>th</sup> Ave, H-100, Kent, WA 98032	19115 68TH AVE S H-100, SEATTLE, WA 98032
0660	1930 Jake Alexander Blvd. W., Suite B, Salisbury, NC 28147-1186	PO BOX 5065, SALISBURY, NC 281470088
0507	P.O. Box 203, Vicksburg, MS 39181	P.O. BOX 203, VICKSBURG, MS 39180

## Procedure 9.

Sort the report of all employees with CFC deductions by Official Duty Station.

### ***Procedure 9.a.***

Compare the Official Duty Stations to the campaigns identified for those locations.

### ***Procedure 9.b.***

Compare the Accounting Codes for each employee with CFC deductions to the accounting code identified for that employee's Official Duty Station.

- Determine if this agrees to the accounting code identified for that field office/duty station.

Report as findings the following:

- a. All instances in which a Federal agency has a CFC deduction for an employee whose official duty station is in an area with no local CFC campaign. A chart listing the Federal agency, the duty station code and the campaign receiving funds should be included. Obtain management's explanation for the differences and a corrective action plan.
- b. All instances in which the accounting code for an employee with CFC deductions does not agree with the accounting code for that employee's Official Duty Station. A chart listing the Federal agency, the duty station code, the campaign used, and the correct campaign should be included. Obtain management's explanation for the differences and a corrective action plan.

## *Results*

We determined that 2,015 out of 108,593 employees with the CFC deductions in the March Semiannual Headcount pay periods were incorrectly coded. We identified 104 differences for the Air Force, 221 differences for the Army, 800 differences for the Navy, 41 differences for the National Guard, 236 differences for the ODOs, 11 differences for DoE, 9 differences for EPA, 96 differences for HHS, and 497 differences for VA. We provided detailed information of our results to OPM in a separate document.

Army representatives stated that based on their review of a nonstatistical sample of 162 of the 221 differences from six major commands:

- 26 employees made their pledges using MyPay, so the Army representatives could not validate the pledge input;
- 17 pledge forms were not received;
- 16 pledge forms were entered incorrectly by Army personnel; and
- 3 CFC pledge forms could not be validated because they did not contain campaign codes.

Although Army representatives did not provide a response for the remaining 100 of 162 CFC pledge forms, they stated that they will continue to research and resolve any matters related to these pledge forms. Army representatives also provided corrective-action steps. Navy representatives acknowledged that 674 of the 800 differences occurred because their employees at the Kittery, Maine, duty station should have contributed to the Maine CFC #0391 and not the Northern New England CFC #0571 for the 2013 CFC campaign. OPM notified the Navy that the Maine and Northern New England CFC campaigns have merged for 2014. Air Force representatives stated that they did not provide us some of their smaller duty stations which caused many of

the differences. Air Force representatives also stated that they will ensure these smaller duty stations are included in future lists they send to us. HHS representatives stated that the CFC business process in their Human Resources office is not consistent, so identifying inconsistencies is difficult. HHS representatives recommended that DFAS representatives meet with HHS CFC management team to develop a plan to be used by all HHS locations. EPA representatives stated that four of the exception employees changed addresses, four employees live in the state where their donations were sent, and one employee used MyPay for CFC donations. EPA representatives added that no actions are necessary to address these discrepancies. The National Guard, ODO, DoE, and VA did not provide explanations to their differences.

## Procedure 10.

From the list of accounting codes that do not agree with the field office/duty station, select a judgmental sample of two pledges per federal agency and request the hard copy pledge form or electronic copy of the pledge form from the agency.

- Determine if the pledge form used was for the correct campaign based on the official duty station.

Report as findings the following:

- a. All instances in which the incorrect pledge form was used by the employee. A chart listing the Federal agency, the correct campaign, and the campaign used should be included.

## Results

We nonstatistically selected 57 pledges. Agencies did not provide the pledge forms for 30 pledges. Agencies were unable to provide copies of electronic pledge forms for 4 employees. For the 23 pledge forms provided, we determined that 2 pledge forms were correctly prepared and entered into DCPS, 18 employees filled out the incorrect campaign pledge form based on the employee's official duty station, and the remaining 3 pledge forms were correctly prepared by the employee, but the campaign information was incorrectly entered in DCPS.

Table 5: Incorrect Employee Pledge Form by Organization

Federal Organization	Correct Campaign Code	Campaign Code Used
<b>Air Force</b>		
Air Force Legal Operations Agency	0990	0005
Air Force Wide Support Element	0852	0656
Air Force Audit Agency	0896	0005
<b>Environmental Protection Agency</b>	0990	0751
<b>Health and Human Services</b>		
Office of the Secretary of Health and Human Services	0589	0626
	0405	0990
Substance Abuse and Mental Health Services Administration	0072	0427
Health Resources and Services Administration	0524	0528
Food and Drug Administration	0923	0931
	0924	0931
Indian Health Service	0606	0990
	0606	0051
National Institutes Of Health	0405	0990
Centers for Disease Control and Prevention	0990	0211
	0481	0211
Centers for Medicare and Medicaid Services	0990	0405
	0096	0405
<b>Department of Veterans Affairs</b>	*	0685

\* There is no local campaign for the duty station reviewed; therefore, the employee should not have submitted a pledge form.

# Acronyms and Abbreviations

<b>APP</b>	Agency Payroll Provider
<b>AUP</b>	Agreed-Upon Procedure
<b>CFC</b>	Combined Federal Campaign
<b>CSRS</b>	Civil Service Retirement System
<b>DCPS</b>	Defense Civilian Pay System
<b>DFAS</b>	Defense Finance and Accounting Service
<b>DoE</b>	Department of Energy
<b>EPA</b>	Environmental Protection Agency
<b>FEGLI</b>	Federal Employees Group Life Insurance
<b>FEHB</b>	Federal Employees Health Benefit
<b>FERS</b>	Federal Employees Retirement System
<b>FERS-FRAE</b>	Federal Employees Retirement System – Further Revised Annuity Employees
<b>FERS-RAE</b>	Federal Employees Retirement System – Revised Annuity Employees
<b>HHS</b>	Department of Health and Human Services
<b>OCFCO</b>	Office of Combined Federal Campaign Operations
<b>ODO</b>	Other Defense Organizations
<b>OPF</b>	Official Personnel File
<b>OPM</b>	Office of Personnel Management
<b>PCFO</b>	Principal Combined Fund Organization
<b>RITS</b>	Retirement and Insurance Transfer System
<b>VA</b>	Department of Veterans Affairs



# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

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